

Agenda Date: June 14, 2018
Item Numbers: A1 and A2

Dockets: UE-180271 and UE-180272
Company: Puget Sound Energy

Staff: David Nightingale, Senior Regulatory Engineering Specialist

Recommendation

Take no action today and instead hold a discussion of Puget Sound Energy's proposed Requests for Proposals (RFPs) in Dockets UE-180271 and UE-180272 in advance of a decision at the June 28 open meeting. Staff is still reviewing the filings and there has been a high level of public comment compared to prior RFPs. Approval or suspension of these dockets is required within 30 days of the end of the comment period, which was on May 29.¹ Therefore, approval or suspension of these dockets needs to be made by the June 28 open meeting.

Background

On March 29, 2018, Puget Sound Energy (PSE or company), filed Draft Request for Proposals (RFPs) regarding All Generation Sources in Docket UE-180271, and Demand Response Programs in Docket UE-180272. Proposed RFPs are required by WAC 480-107-015(3)(b) when a company's Integrated Resource Plan (IRP) identifies a capacity need within three years.

Notice of the opportunity to provide written comments on these RFPs and this open meeting was published on April 4, 2018, with written comments due by 5:00 p.m., May 29, 2018.

Based on public comments and discussions with staff, PSE submitted revised RFPs and supporting documents on June 8 for the all resources RFP and June 11 for demand response programs RFP.

Discussion

PSE's 2017 IRP shows the company will satisfy customer capacity needs within the next three years by relying on conservation and market purchases. The IRP shows that the near-term capacity needs can be met primarily by energy conservation programs through 2022. In 2022, PSE estimates its capacity need at 272 MW. Staff is concerned PSE is increasingly relying on wholesale market purchases to meet its energy and peak capacity needs, while the regional market is becoming increasingly capacity constrained.² Staff believes that this market capacity risk requires an all source RFP to prudently manage a least-cost portfolio.

¹ WAC 480-107-015(3)(b) states in part that "commission will approve or suspend the RFP within 30 days after the close of the comment period." The comment period closed on May 29, 2018.

² PSE relies on nearly 1,600 MW of wholesale market purchases, and expects to increase that reliance in the 20-year plan, see Appendix G of PSE's 2017 IRP.

The RFP rule requires submittal of proposed RFPs when capacity needs are shown within three years, including when conservation or demand response (DR) resources are used to fill the capacity need.³ PSE has filed two proposed RFPs to meet this requirement as well as to ensure sufficient lead time is given for common transmission and other potential capacity and renewable resources to come on line.

The RFPs also recognize the potential of BPA granting a redirection of 300 MW of electric transmission rights from Garrison to Mid-C when Colstrip Units 1 & 2 are planned to close in 2022. If BPA grants the redirection of transmission, PSE estimates a capacity need starting later, in 2024, estimated at 171 MW.⁴ BPA's redirection is new information since PSE's IRP was finalized. Possible BPA redirection does not represent a decision by PSE, but rather simply recognizes another option in looking at future potential transmission resources.

All Resources RFP

The proposed all resources RFP, Docket UE-180271, addresses projected energy storage and generation needs including eligible renewable resources. The all resources RFP includes more than strictly generating resources. At staff's request, PSE changed the name of the RFP from "all generation sources," as originally submitted, to "all resources" in the revised RFP.

In addition to capacity needs, PSE's all resources RFP calls for bids to meet their obligation under Washington's renewable portfolio standard (RPS) which calls for 15 percent of load to be served by eligible renewable resources by 2020.⁵ With the ability to roll over expected accumulation of surplus renewable energy certificates (RECs) to future years, PSE estimates that it will need approximately 671,000 RECs beginning in 2023 to satisfy their 15 percent RPS.⁶

Demand Response RFP

Demand response programs are fundamentally different from traditional resources which rely on generation or other equipment owned and operated by utilities. Demand response programs seek the consent of customers to reduce or curtailing energy use typically during peak demand events. Because of the different nature of this resource, and its implementation by customer consent instead of utility infrastructure, the RFP must be structured differently and PSE has done this in the demand response RFP, Docket UE-180272.

PSE issued two demand response RFPs in June 2016 based on their 2015 IRP.⁷ These 2016 RFPs were very detailed and resulted in proposals that PSE ultimately judged to be not cost-

³ This is consistent with page 2 of [staff's detailed comments on PSE's 2017 IRP](#) filing, "RFP must be submitted to the Commission within 135 days of the IRP due date if the utility has near-term capacity need within three years, including when conservation or demand response (DR) resources are used to fill the capacity need."

⁴ UE-180271, 2018 RFP for All Generation Sources - Draft, p.2, and UE-180272, 2018 RFP for Demand Response Programs - Draft, p.3.

⁵ RCW 19.285.040(2)(a)(iii).

⁶ UE-180271, 2018 RFP for All Generation Sources - Draft, p.3.

⁷ UE-160808 and UE-160809.

effective. The current demand response RFP is less prescriptive and allows vendors more freedom to provide either very focused sector specific or a broad suite of demand response programs.

After discussion with staff, PSE has made adjustments to provide even more flexibility for the length of time of advance notice to call for a demand response event. The primary objective in the demand response RFP was an hour-ahead call for an event, with a secondary objective for a 10 minute or less call for an event.⁸ PSE and other utilities routinely schedule resources on a day-ahead basis based on weather and other factors. The revised demand response RFP document, as filed on June 11, 2018, allows another primary objective for demand response, where vendors may now propose a day-ahead notice schedule. This should allow additional vendor creativity and an additional option for PSE to evaluate demand response resources to fill PSE's capacity needs on an even basis with traditional day-ahead resources.

For the demand response RFP, all new technology, equipment, software, and enabling resources will be provided by the vendor with options for PSE to acquire those resources at the end of the contract period. Staff finds this a reasonable approach and allows the company to try-before-they-buy (or not buy) software and systems for which they do not yet have working knowledge.

Public Comments on Proposed RFPs

Sixteen (16) parties commented on one or both RFPs and a listing of commenters is provided in the attachment to this memo. Interest in the RFPs likely corresponds to increased public interest in PSE's recently acknowledged 2017 IRP.⁹

Improving the Form of the RFP

Staff and five commenters raised the issue of providing weighting metrics to the primary evaluation criteria.¹⁰ After screening out unresponsive and fatal flaw proposals, PSE uses five evaluation criteria in their all resources RFP: compatibility with resource need, cost minimization, risk management, public benefit, and strategic and financial considerations.¹¹ In the demand response RFP the evaluation criteria are: demonstrated competence and experience, management structure and assigned personnel, quality of proposed equipment and services, pricing, and performance guarantees.¹² A possible RFP practice is to provide a weighted percentage between criteria to give proposers an idea of the relative importance of each criteria and provide transparency to the evaluation process.¹³

⁸ UE-180272, 2018 RFP for Demand Response Programs - Draft, p.4

⁹ See dockets UE-160918 and UG-160919.

¹⁰ Commenters citing the lack of weighted evaluation criteria included Public Counsel, NWECC, Renewables Northwest, Sierra Club, and Montana Environmental Information Center.

¹¹ PSE's evaluation criteria are contained at Exhibit A of the All-Resources RFP.

¹² PSE's evaluation criteria for their demand response RFP is on page 16, subsection 6.1.2

¹³ For example, on page 6 of PacifiCorp's market energy RFP ([Docket UE-132094](#)) the company weighted price 70% and each of three non-price criteria at 10%. Montana Environmental Information Center comments in this docket cites [Portland General Electric's 2018 Renewable RFP](#) which provides a detailed proposal ranking methodology with overall 60/40 weighting of price and non-price factors and scoring calculation details.

Staff encouraged PSE to add weighting factors for each criteria and apply those weights in evaluating proposals.

On the other hand, PSE believes that they have received sufficient responses to their past RFPs and there is no demonstrated need to provide more clarity on their scoring or evaluation techniques. Further, PSE believes that there is the potential for bidders to “game” the system if weighting between criteria was supplied. Staff agrees that there must be significant professional judgement brought to bear on the resource acquisition processes.

While it is currently not a common practice to provide criteria weighting by our regulated utilities staff asks the commission to consider requesting PSE to provide a detailed “evaluation criteria weighting,” filed with each RFP, prior to the June 28 open meeting.

Other Public Comments

Staff worked with PSE concerning how they may want to address comments filed in the dockets as well as staff questions and concerns. In some instances, PSE made clarifying edits in the RFPs revised filing, including the changes cited above. In other cases, PSE provided clarification in its frequently asked questions (FAQs) document on PSE’s RFP website. A current copy of these FAQs was submitted on June 8 for the all resources docket and June 11 in the demand response docket. Also submitted to the docket is an index summarizing each comment and citing whether PSE’s response to each will be found in the FAQ document or changes to the revised RFP documents. In order to respond to additional questions during the RFP process, PSE indicated its intent to updated FAQs on the PSE website, as needed, to remain current and responsive.

Some of the comments ask the commission to go beyond the current rule requirements. For example, some commenters ask the commission to prohibit solicitation of any fossil-fueled resources. This would very likely significantly limit the resource options allowed into the process but is not based on existing commission rule or order. Consequently, staff does not support such a restriction in the RFPs.

Other commenters ask the commission to *allow full public access* to PSE’s process of RFP evaluation and selection. This would expose commercially sensitive information and would not be in the public interest. Further, it is not a requirement in rule or by order. Staff does not support these changes to PSE’s RFP process.

In some cases, the commenters provided extensive analyses and information. This is valuable input, where PSE can leverage those comments during the RFP’s evaluation process. Much of the other comments are asking for clarifying language or concepts which PSE has attempted to address in their FAQs and incremental changes in the revised RFPs. Staff supports PSE in addressing commenters concerns in this way and believe that PSE’s responses are reasonable.

Summary of Staff Comments on the Proposed RFPs

Commission staff reviewed both RFPs found them to be reflective of the levels and types of resources called for in PSE's 2017 IRP and other requirements in the RFP rule.¹⁴ PSE indicated to staff that the values in the RFP analyses of bids will be adjusted from those in the IRP to reflect current conditions before any final acquisition decisions are made by PSE.

The structure of the RFPs clearly delineate the relationship between PSE and potential vendors. The RFPs provide for a great amount of flexibility in the breadth and quantity of resources allowed to be proposed by vendors.

Overall the design of the proposed RFPs should facilitate the likelihood of a broad and competitive set of forward-looking proposals submitted by vendors. To further enhance the RFP process transparency and possibly increase the number and quality of proposals, staff recommended that PSE add a transparent evaluation criteria weighting methodology to both RFPs, as discussed above.

Recommendation

Take no action today and instead hold a discussion of Puget Sound Energy's proposed Requests for Proposals (RFPs) in Dockets UE-180271 and UE-180272 in advance of a decision at the June 28 open meeting. Staff is still reviewing the filings and there has been an unusual amount of public comment compared to prior RFPs. Approval or suspension of these dockets is required within 30 days of the end of the comment period, which was on May 29.¹⁵ Therefore, approval or suspension of these dockets needs to be made by the June 28 open meeting.

¹⁴ WAC 480-107-025(2).

¹⁵ WAC 480-107-015(3)(b) states in part that "commission will approve or suspend the RFP within 30 days after the close of the comment period." The comment period closed on May 29, 2018.

ATTACHMENT

List of Commenters on PSE's Proposed RFPs
Dockets UE-180271 and UE-180272

Name	Representing
James Adcock	PSE Customer
Ward Carson	PSE Customer
Tim Culbertson	Columbia Basin Hydropower
Brian Fadie	Montana Environmental Information Center
Amanda Jahshan and Micheal O'Brien	Renewable Northwest
Stacy Gasvoda	Haymaker Wind LLC (Montana)
Irion A. Sanger	Northwest Intermountain Power Producers Coalition (NIPPC)
Andrea Issod	Sierra Club
Orijit Ghoshal	Invenergy LLC
Robert Briggs	Retired Research Scientist, Pacific Northwest National Labs
Eli Bailey	GB Energy Park, LLC, a single-purpose subsidiary of Montana-based Absaroka Energy Development Group, LLC, developer of Gordon Butte Pumped Storage Hydro Project
Jermaine Smiley	Washington and Northern Idaho District Council of Laborers
Virginia Lohr	PSE Customer
Joni Bosh and Amy Wheless	Northwest Energy Coalition
Nina Suetake	Washington Attorney General, Public Counsel Unit
Brian Grunkemeyer	PSE Customer